Tax Increment Financing

City of El Paso, Texas
Development & Infrastructure Services

October 2006

COMMUNITY CHALLENGES

HEALTH

QUALITY OF LIFE

ECONOMIC DEVELOPMENT

Tax Increment Financing GENERAL OVERVIEW

What is Tax Increment Financing?

TIF

TIF is a method of funding public investments in an area slated for redevelopment by recapturing, for a time, all or a portion of the increased tax revenue that may result if the redevelopment stimulates private investment.

Who benefits from TIF?

TIF

City of El Paso

Raises money for redevelopment without having to deplete general revenues

Developers

City commits to redevelopment through public improvements

Who benefits from TIF?

TIF

Property Owners

Funds redevelopment without raising taxes

How are TIF revenues captured?

TIF

As private investments add to the tax base within a district, the increased tax revenues are placed in a special fund that can only be used within the district.

What is a tax increment?

TIF

Revenue resulting from the difference between the base year and the current year.

What is the TIF cycle?

TIF

BASE YEAR IS DETERMINED

↓

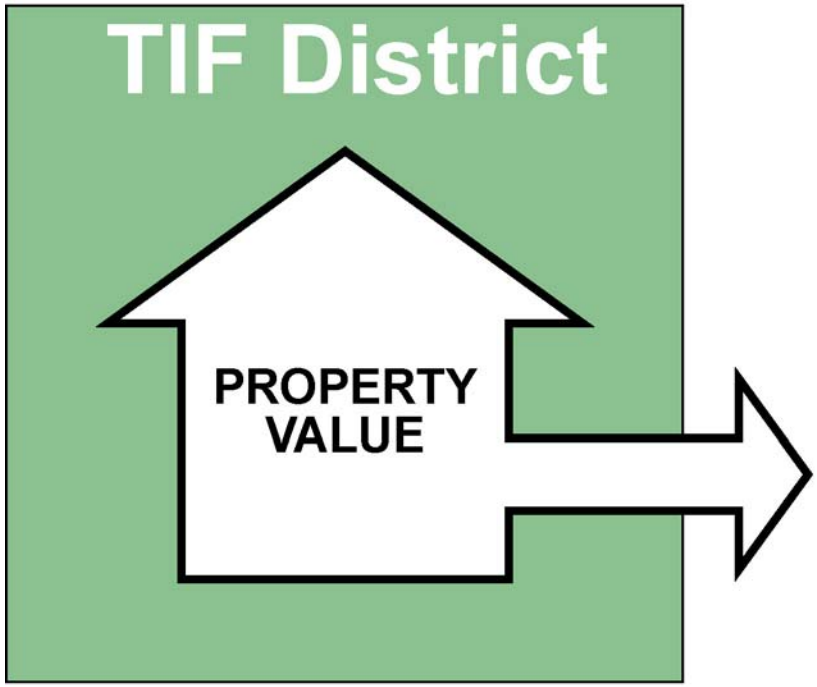
TAX BASE RISES

↓

TAX REVENUES DEDICATED TO TIF FUND

↓

TIF FUND FINANCES PROJECTS



2006 - $1,000,000

2007 - $1,100,000

Increment = $100,000

What are TIF program objectives?

TIF

- ✓ Stimulate private investment
- ✓ Facilitate public improvements
- ✓ Improve the tax base
- ✓ Reverse blight within a district
- ✓ Create an economic asset that will benefit the district and the entire community

When is TIF appropriate?

TIF

- ✓ Area is stagnant or declining due to little private investment
- ✓ Area is in need of public works infrastructure & expenditure
- ✓ Sufficient evidence of blight conditions within an area
- ✓ Opportunities for fostering economic development are evident

When is a TIF need identified?

TIF

- ✓ If a potential market exists
- ✓ If it cannot be reached unless certain impediments are removed
- ✓ If the removal of the impediments is possible

What are market considerations?

TIF

- ☑ Will the TIF produce a sufficient increase in the tax base?
- ☑ Will the tax increment support the TIF program?
- ☑ Is there potential for real estate development & private ownership?

What are statutory requirements?

TIF

- Designated as a contiguous area
- No more than 10% of the land area within a district is used for residential purposes, excluding publicly owned land
- Total appraised value of taxable real property within all districts and reinvestment zones created by a City is less than 15% of the City's tax base

What are statutory requirements?

TIF

- Total appraised value of the taxable real property within a district is less than 15% of a school district or County tax base

- Sufficient evidence that a condition of blight exists

How is blight quantified?

TIF

- ✓ Substandard, slum, deteriorated or deteriorating structures
- ✓ Predominance of defective or inadequate site improvements
- ✓ Unsanitary or unsafe conditions
- ✓ Other conditions that endanger life or property

Determining blight in El Paso

TIF

Criteria and guidelines approved by the City Council in a 1989 report entitled "Methodology for Determining Slum & Blight in El Paso, Texas."

***Includes*:**

- **locally adopted criteria**
- **federally mandated criteria**

Factors for determining blight

TIF

1. Assessment of % of substandard, slum, deteriorated or deteriorating structures
   - Building Condition Survey
   - Physical Condition Factor Rating

Factors for determining blight

TIF

2. Faulty lot layout in relation to size, adequacy, accessibility or usefulness
   - Field survey on platting and zoning patterns
   - Computerized Land Use Study

Factors for determining blight

TIF

3. Predominance of underutilized land
   - Vacant Land Survey
   - Computerized Land Use Study

4. Deterioration of structures or site improvements
   - Physical Condition Factor Rating

TIF Process

TIF

Governing body of the City, by ordinance, designates TIF

City creates Board of Directors to prepare a Project Plan & a Financing Plan

City Council approves Project Plan & Financing Plan & Project Implementation Begins

TIF

Project Oversight

Board of Directors created for district to:

- Develop a Project & Financing Plan for adoption by City Council
- Oversee TIF district management & make recommendations to City Council
- Ensure expenditures of tax increment within district
- Provide City Council with a TIF fund report annually
- Create operational procedures to manage own proceedings & TIF fund

City Council Authority

TIF

- Acquire & sell real property for purpose of promoting redevelopment
- Enter into agreements necessary to implement plans
- Acquire blighted areas for purpose of restoring, conserving & preparing for public facilities and uses
- Issue tax increment bonds or notes to finance project costs

TIRZ Process

TIF

STEP ONE	CITY PREPARES PRELIMINARY REINVESTMENT ZONE FINANCING PLAN
STEP TWO	CITY PROVIDES 60 DAY NOTICE OF INTENT TO CREATE A TIRZ TO OTHER TAXING ENTITIES THAT LEVY TAXES WITHIN THE PROPOSED AREA
STEP THREE	OTHER TAXING ENTITIES DESIGNATE A REPRESENTATIVE TO MEET WITH THE CITY TO DISCUSS PROJECT PLANS
STEP FOUR	CITY MAKES FORMAL PRESENTATION TO THE GOVERNING BODY OF EACH COUNTY & SCHOOL DISTRICT THAT LEVIES TAXES WITHIN THE PROPOSED TIRZ
STEP FIVE	CITY HOLDS A PUBLIC HEARING ON THE CREATION OF THE TIRZ
STEP SIX	AFTER PUBLIC HEARING, CITY MAY DESIGNATE A CONTIGUOUS AREA AS A TIRZ BY ORDINANCE
STEP SEVEN	AFTER ORDINANCE ADOPTION TO CREATE A TIRZ, THE TIRZ BOARD OF DIRECTORS MUST PREPARE A PROJECT & FINANCING PLAN AND PRESENT TO THE CITY COUNCIL FOR APPROVAL
STEP EIGHT	AFTER APPROVAL OF THE PROJECT & FINANCING PLAN, OTHER TAXING ENTITIES MAY CONTRACT WITH THE CITY ON THE PERCENTAGE OF THEIR TAX INCREMENT THEY ARE WILLING TO DEDICATE TO THE FUND
STEP NINE	TIRZ BOARD OF DIRECTORS MAKES RECOMMENDATIONS TO CITY COUNCIL ON THE IMPLEMENTATION OF THE TIRZ
STEP TEN	CITY SUBMITS ANNUAL REPORTS TO EACH OF THE PARTICIPATING TAXING ENTITIES WITHIN THE TIRZ

TIF

Downtown 2015 Plan - Status

Preliminary Framework submitted by PDNG to the City March 2006

Revised Preliminary Framework Approved by City Council, July 2006

Text Development including Land Use Guidelines & Design Standards Approved by City Plan Commission October 2006

TIF

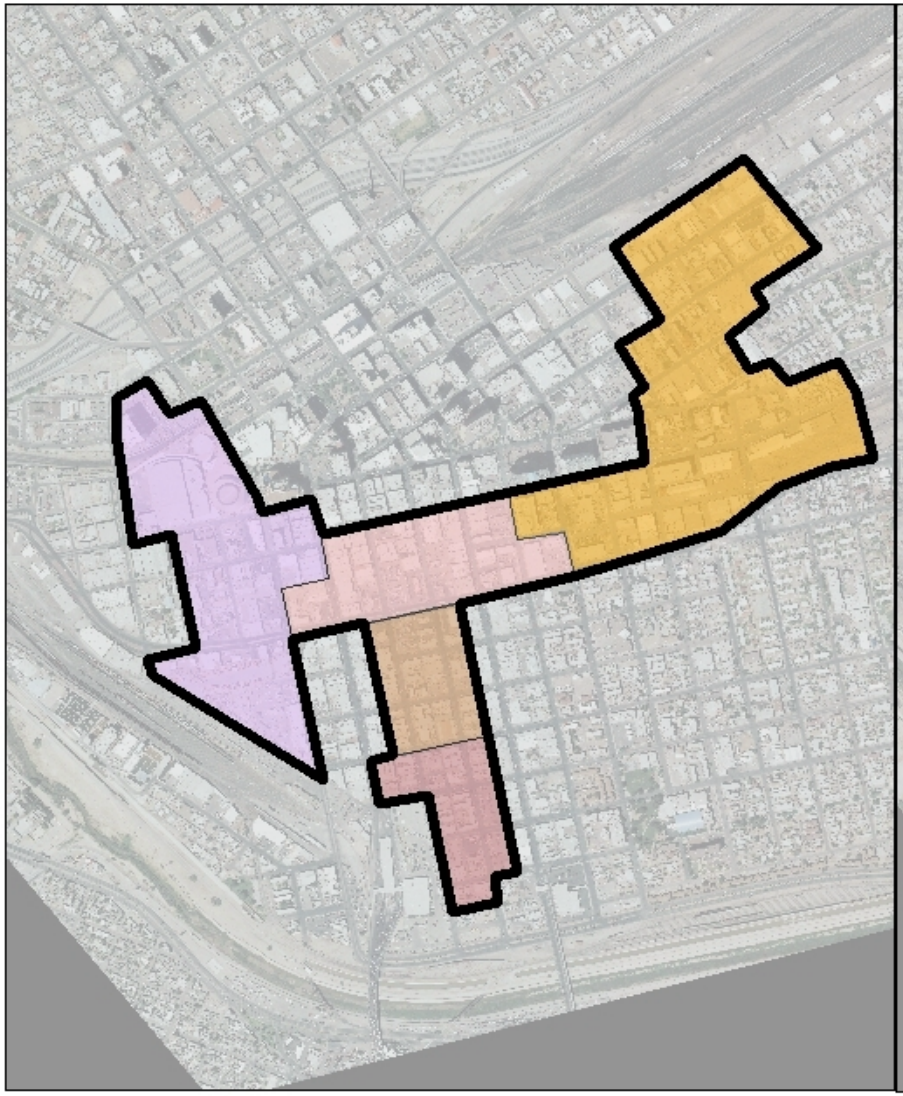
Downtown 2015 Plan – Next Steps

Approval of Plan by City Council Scheduled for October 31, 2006

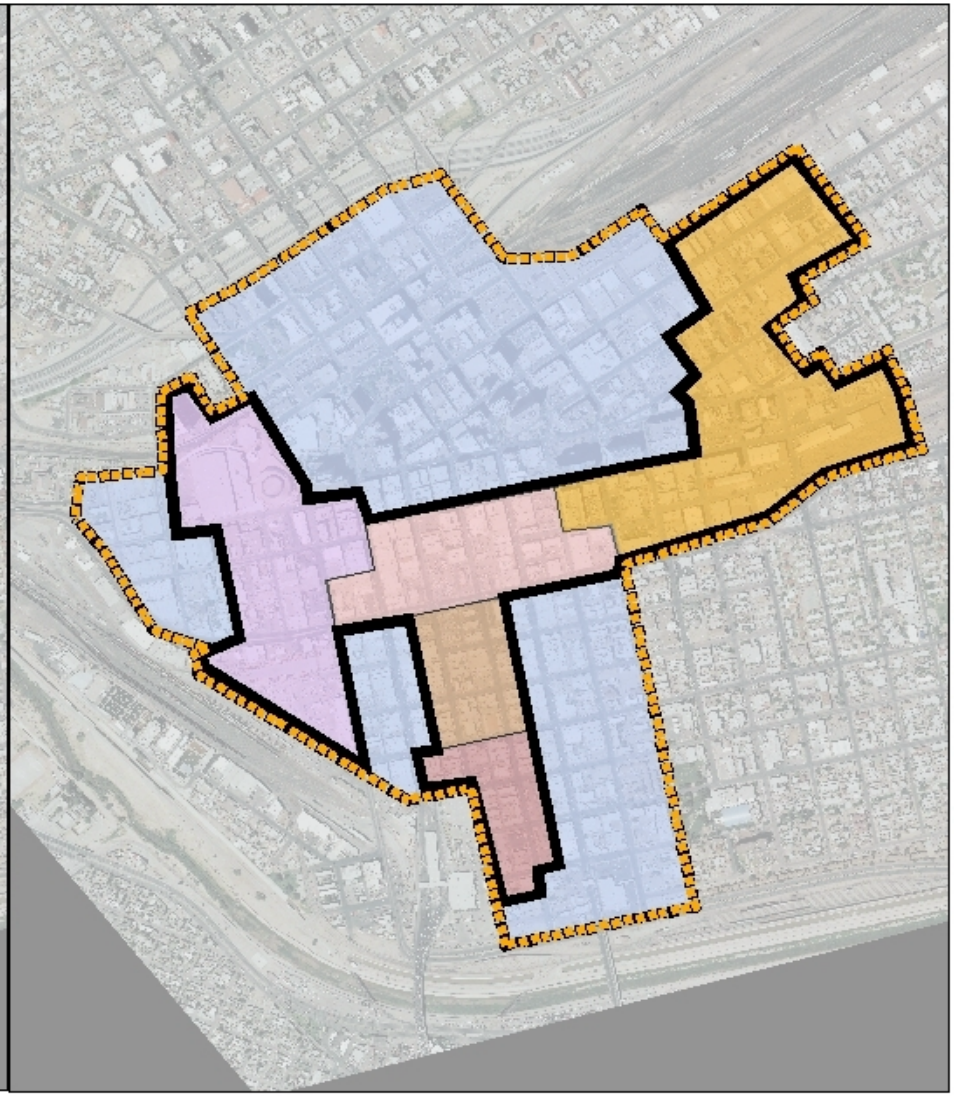
City Staff/SMWM work on Implementation Strategy begins Following Plan Adoption (6-9 months)

City Council adoption of Implementation Strategy

PROPOSED TIF DISTRICT NO. FIVE



Recommended Staff Option
(Redevelopment District Only)



CPC Option
(Includes Redevelopment District, Historic Incentive District and portions of Segundo Barrio)

Proposed TIRZ Boundary Options

Actions Needed?

TIF

Resolution that:

- ❑ **Expresses City's intent to create a TIRZ for the Downtown Redevelopment Area**
- ❑ **Authorizes City Attorney to provide notice to taxing entities of City's intent to create a TIRZ**
- ❑ **Authorizes City Manager to set a date for a public hearing on the TIRZ**

Actions Needed?

TIF

Resolution that:

- ❑ **Authorizes City Manager to schedule the public hearing to obtain community input**
- ❑ **Authorizes City Manager to make presentations & give formal notice to the taxing entities of proposed TIRZ**
- ❑ **Authorizes City Manager to request designee from each taxing entity to discuss TIRZ**

Actions Needed?

TIF

Resolution that:

- ❑ **Authorizes City Manager to request that taxing entities waive notice requirement before public hearing to consider TIRZ**
- ❑ **Authorizes City Manager to request a waiver of rights to appoint TIRZ Board members of any taxing entity that elects not to participate in the TIRZ**

QUESTIONS